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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-51330

**FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/11 AND ENDING 09/30/12
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **CFS Securities, Inc.**
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
3190 Whitney Avenue

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street) **Hamden** **CT** **06518**
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Lawrence S. Cooper, President **(203) 248-1972**
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Pue, Chick, Leibowitz & Blezard, LLC

(Name - if individual, state last, first, middle name)
76 South Frontage Road **Vernon** **CT** **06066**
(Address) (City) (State) (Zip Code)

- CHECK ONE:
- Certified Public Accountant
 - Public Accountant
 - Accountant not resident in United States or any of its possessions.

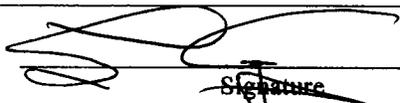
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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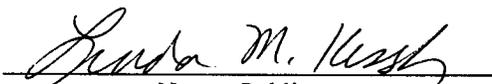
OATH OR AFFIRMATION

I, Lawrence S. Cooper, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CFS Securities, Inc., as of September 30, 20 12, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature
President

Title



Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CFS SECURITIES, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011


**Pue, Chick, Leibowitz
& Blezard, LLC**
Certified Public Accountants
Vernon, Connecticut

CFS SECURITIES, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

CFS SECURITIES, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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PUE, CHICK, LEIBOWITZ & BLEZARD LLC

Certified Public Accountants

Steven R. Leibowitz, CPA, CFFA
Michael R. Blezard, CPA/ABV, CVA

Ricky A. Frimpong, CPA
In Soo Soh, CPA

John C.A. Chick, CPA - Consultant

Robert J. Pue, CPA (1920 – 2008)
Louis P. Semel, CPA (1930 – 1998)

Report of Independent Registered Public Accounting Firm

To the Board of Directors of
CFS Securities, Inc.

We have audited the accompanying statements of financial condition of **CFS Securities, Inc.** (a Connecticut Corporation) as of September 30, 2012 and 2011, and the related statements of income and comprehensive income, changes in stockholder's equity and cash flows for the years then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CFS Securities, Inc.** as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules I, II, III and IV required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Certified Public Accountants

Vernon, Connecticut
November 20, 2012

76 South Frontage Road, P.O. Box 2250, Vernon Rockville, Connecticut 06066-2250
Tel. (860) 871-1722 Fax (860) 871-1228
E-Mail Info@Pue-CPAs.com www.Pue-CPAs.com

CFS SECURITIES, INC.
STATEMENTS OF FINANCIAL CONDITION
SEPTEMBER 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 74,807	\$ 30,255
Commissions receivable - allowable	34,247	25,379
Commissions receivable - unallowable	17,069	24,663
Prepaid expenses	<u>6,859</u>	<u>6,409</u>
Total Current Assets	<u>132,982</u>	<u>86,706</u>
<u>FIXED ASSETS</u>		
Equipment	13,938	49,457
Accumulated depreciation	<u>(12,073)</u>	<u>(28,311)</u>
Net Book Value	<u>1,865</u>	<u>21,146</u>
<u>OTHER ASSET</u>		
Investments	<u>170,487</u>	<u>164,874</u>
Total Other Asset	<u>170,487</u>	<u>164,874</u>
TOTAL ASSETS	<u><u>\$ 305,334</u></u>	<u><u>\$ 272,726</u></u>

See accompanying notes and report of independent registered public accounting firm

CFS SECURITIES, INC.
STATEMENTS OF FINANCIAL CONDITION
(Continued)
SEPTEMBER 30, 2012 AND 2011

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2012</u>	<u>2011</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 1,262	\$ 3,441
Accrued taxes and expenses	32,115	26,722
Current portion of note payable	-	6,139
Deferred taxes	14,193	13,500
Due to Cooper Financial Services, Inc.	<u>45,278</u>	<u>-</u>
Total Current Liabilities	92,848	49,802
NOTE PAYABLE, net of current portion	<u>-</u>	<u>11,596</u>
Total Liabilities	<u>92,848</u>	<u>61,398</u>
<u>STOCKHOLDER'S EQUITY</u>		
Common stock - no par value; 10,000 shares authorized, 1,000 shares issued and outstanding	10,000	10,000
Retained earnings	178,045	180,213
Accumulated other comprehensive income - net unrealized gains on investment (net of tax)	<u>24,441</u>	<u>21,115</u>
Total Stockholder's Equity	<u>212,486</u>	<u>211,328</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$ 305,334</u></u>	<u><u>\$ 272,726</u></u>

See accompanying notes and report of independent registered public accounting firm

CFS SECURITIES, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012		2011	
	Amount	Percent	Amount	Percent
REVENUE				
Commissions	\$ 347,801	84.5%	\$ 360,321	83.8%
Administrative fees	61,560	15.0%	68,551	15.9%
Interest income	2,090	0.5%	1,143	0.3%
Total Revenue	411,451	100.0%	430,015	100.0%
OPERATING EXPENSES	413,750	100.6%	440,182	102.4%
LOSS FROM OPERATIONS	(2,299)	-0.6%	(10,167)	-2.4%
MISCELLANEOUS INCOME	308	0.1%	73	0.0%
LOSS BEFORE TAX	(1,991)	-0.5%	(10,094)	-2.4%
INCOME TAX EXPENSE (BENEFIT)	177	0.0%	(11,005)	-2.6%
NET (LOSS) INCOME	(2,168)	-0.5%	911	0.2%
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gain on available for sale securities	3,326	0.8%	19,975	4.7%
OTHER COMPREHENSIVE INCOME	\$ 1,158	0.3%	\$ 20,886	4.9%

See accompanying notes and report of independent registered public accounting firm

CFS SECURITIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance October 1, 2010	1,000	\$ 10,000	\$ -	\$ 179,302	\$ 1,140	\$ 190,442
2011 Net income	-	-	-	911	-	911
2011 Unrealized gain, net of tax	-	-	-	-	19,975	19,975
Balance September 30, 2011	1,000	10,000	-	180,213	21,115	211,328
2012 Net loss	-	-	-	(2,168)	-	(2,168)
2012 Unrealized gain, net of tax	-	-	-	-	3,326	3,326
Balance September 30, 2012	<u>1,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 178,045</u>	<u>\$ 24,441</u>	<u>\$ 212,486</u>

See accompanying notes and report of independent registered public accounting firm

CFS SECURITIES, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net (loss) income	\$ (2,168)	\$ 911
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	5,074	8,456
Change in deferred taxes	(535)	(699)
(Increase) decrease in:		
Commission receivables	(1,274)	(6,126)
Other receivables	-	6,165
Prepaid expenses	(450)	3,976
Increase (decrease) in:		
Accounts payable	(2,179)	(11,917)
Accrued taxes and expenses	5,393	6,621
Due to Cooper Financial Services, Inc.	45,278	-
Net cash provided by operating activities	<u>49,139</u>	<u>7,387</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	-	(565)
Proceeds from sale of fixed assets	14,442	-
Purchase of securities	<u>(1,294)</u>	<u>(1,143)</u>
Net cash provided by (used in) investing activities	<u>13,148</u>	<u>(1,708)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayments on note payable	<u>(17,735)</u>	<u>(5,809)</u>
Net cash used in financing activities	<u>(17,735)</u>	<u>(5,809)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	44,552	(130)
CASH AND CASH EQUIVALENTS - Beginning	<u>30,255</u>	<u>30,385</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 74,807</u></u>	<u><u>\$ 30,255</u></u>

See accompanying notes and report of independent registered public accounting firm

CFS SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Business

CFS Securities, Inc. (Corporation) is a Connecticut Corporation located in Hamden, Connecticut, which is established as a broker dealer under the Securities and Exchange Act and is a member of Financial Industry Regulatory Authority (FINRA). While the corporation receives fees and commissions from various sources, the fees are generally generated by Cooper Financial Services, Inc., a related party affiliated by common ownership.

b) Basis of Presentation

The Corporation uses the accrual method of accounting for financial statement purposes.

c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all investments in liquid time accounts purchased with original maturities of three months or less to be cash equivalents.

d) Fixed Assets

All property and equipment is stated at cost. Major renewals, additions, and betterments are capitalized to the property accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred. Depreciation is computed using straight-line methods over the estimated useful lives of the related assets.

e) Investments

Investments consist of available for sale securities. Available for sale securities are reported at fair value with unrealized gains and losses, net and tax, reported in other comprehensive income.

f) Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities and recognition of income and expenses for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets, liabilities and revenue are recognized. Deferred taxes arise primarily because the Corporation files its income tax returns on the cash basis of accounting and uses the accrual basis of accounting for financial reporting.

See report of independent registered public accounting firm

1) **NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -**
Continued

f) **Income Taxes** – Continued

Management of the Corporation evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America (GAAP). As of September 30, 2012 and 2011, management does not believe that it has taken any additional tax position that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months.

The Corporation's income tax returns are subject to examination by the appropriate taxing jurisdiction. As of September 30, 2012 and 2011, the Corporation's federal and state tax returns generally remain open for examination for three years from the date filed.

g) **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

h) **Fair Value Measurement**

In accordance with GAAP, the Corporation classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of September 30, 2012 and 2011, total investments of \$170,487 and \$164,874 were classified as Level 1 investments.

i) **Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through November 20, 2012, which represents the date the financial statements were available to be issued.

j) **Advertising Costs**

The Corporation expenses advertising costs as they are incurred.

See report of independent registered public accounting firm

2) **COMMISSIONS RECEIVABLE**

Commissions receivable are segregated into allowable and unallowable. In accordance with National Association of Securities Dealers (NASD) requirements, allowable receivables consist of commissions due that are less than 30 days old. Unallowable receivables include outstanding investment advisory fees and commissions in excess of 30 days old.

3) **PREPAID EXPENSES**

Prepaid expenses consist of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Prepaid insurance	\$2,688	\$4,174
Prepaid lease payment	4,171	-
Prepaid expense	-	1,469
Prepaid payroll taxes	-	766
	<u>\$6,859</u>	<u>\$6,409</u>

4) **ACCRUED TAXES AND EXPENSES**

Accrued taxes and expenses consist of the following at September 30:

	<u>2012</u>	<u>2011</u>
Accrued retirement plan contribution	\$32,115	\$26,408
Accrued taxes	-	314
	<u>\$32,115</u>	<u>\$26,722</u>

5) **INCOME TAX**

The income tax expense (benefit) consists of the following for the years ended September 30:

	<u>2012</u>	<u>2011</u>
Current:		
Federal	\$ -	\$ -
State	-	-
Total	-	-
Deferred:		
Federal	177	(9,905)
State	-	(1,100)
Total	<u>177</u>	<u>(11,005)</u>
Total Current and Deferred	<u>\$177</u>	<u>\$(11,005)</u>

See report of independent registered public accounting firm

5) **INCOME TAX** - Continued

Net deferred tax liabilities of \$14,193 and \$13,500 at September 30, 2012 and 2011, respectively, are the result of the differences between the basis of reporting assets and liabilities for financial statement and income tax purposes. The components of deferred tax assets and liabilities consist of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Deferred tax assets:		
Accounts payable	\$ <u>300</u>	\$ <u>890</u>
Total deferred tax assets	<u>300</u>	<u>890</u>
Deferred tax liabilities:		
Accounts receivable	8,293	11,510
Depreciation	-	1,103
Net unrealized gain on investment	<u>6,200</u>	<u>1,777</u>
Total deferred tax liability	<u>14,493</u>	<u>14,390</u>
Net deferred tax liability	<u>\$14,193</u>	<u>\$13,500</u>

6) **LONG-TERM DEBT**

Long-term debt consists of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Installment note payable, collateralized by a vehicle, monthly payment of \$581 with interest of 5.54% through June 2014. The note was paid off during the fiscal year ended September 30, 2012.	\$ -	\$17,735
Current portion of long-term debt	<u>-</u>	<u>(6,139)</u>
Long-term debt, net of current portion	<u>\$ -</u>	<u>\$11,596</u>

7) **LEASES**

The Corporation sublets office space from Cooper Financial Services, Inc., a Company affiliated by common ownership, on a month to month basis for \$1,400 per month. Included in rent are other charges for an offsite storage facility rented on a month to month basis.

8) **RETIREMENT PLAN**

The Corporation sponsors a 401(k) profit sharing plan effective April 1, 2005 for the benefit of those employees who have completed one year of service and who have attained age 21. The Corporation matches 4% of an employee's compensation not to exceed their contribution. The Corporation can elect to make a voluntary contribution to the plan in excess of the 4% match. Employees are 100% vested in their deferral and the matching contributions. The Corporation uses a six year vesting schedule for the discretionary profit sharing.

See report of independent registered public accounting firm

9) **RELATED PARTIES**

Mr. Lawrence Cooper, the sole stockholder of CFS Securities, Inc., owns 51% of Cooper Financial Services, Inc., a company affiliated by common ownership. As discussed in Note 1, Cooper Financial Services, Inc. is the only registered investment advisor providing income to the Corporation. CFS Securities, Inc. also leases space from Cooper Financial Services, Inc. under a month to month lease arrangement. The annual rental expense was \$16,800 for the years ended September 30, 2012 and 2011. The Corporation, having common ownership with Cooper Financial Services, Inc. is covered under the Cooper Financial Services, Inc. retirement plan and insurance policies.

10) **CONCENTRATION**

The Corporation relies on Cooper Financial Services, Inc. as their sole source of commission income. As a broker dealer the Corporation receives fees on investments from various sources made by the clients of Cooper Financial Services, Inc.

11) **CONTINGENCIES**

The Corporation maintains a line of credit with TD Bank in the amount of \$100,000. At September 30, 2012 and 2011, the Corporation did not have an outstanding balance.

12) **EXEMPTIONS**

As part of SEC reporting requirements, the Corporation is required to include a statement of changes in liabilities subordinated in claims of creditors; computation for determination of reserve requirements pursuant to Rule 15c3-3; information relating to the possession of control requirements under Rule 15c3-3 and reconciliation of the computation of net capital under Rule 15c3-1 and the computation for determination of reserve requirements under Exhibit A of Rule 15c3-3. These statements are not presented because they are either not applicable to the Corporation or the Corporation is exempt from providing such information under Rule 15c3-3, paragraph (k)(1). The Corporation's transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies and the company promptly transmits all funds and delivers all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for, or owe money or securities to customers.

SUPPLEMENTARY INFORMATION

CFS SECURITIES, INC.
SCHEDULE I - SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<u>OPERATING EXPENSES</u>				
Officer's salary	\$ 208,160	50.6%	\$ 230,455	53.6%
Office expense	36,447	8.9%	33,245	7.7%
Retirement plan	33,443	8.1%	41,346	9.6%
Professional fees	22,872	5.6%	27,234	6.3%
Commissions	22,856	5.6%	21,655	5.0%
Insurance	17,056	4.1%	12,956	3.0%
Rent	16,800	4.1%	16,800	4.0%
Payroll taxes	9,793	2.4%	10,089	2.3%
Auto expense	9,499	2.3%	7,755	1.8%
Group insurance	9,365	2.3%	8,177	1.9%
Dues and subscriptions	5,838	1.4%	2,370	0.6%
Licenses	5,791	1.4%	5,936	1.4%
Computer expenses	5,747	1.4%	6,953	1.6%
Depreciation	5,074	1.2%	8,456	2.0%
Meals and entertainment	1,981	0.5%	2,263	0.5%
Other taxes	984	0.2%	1,192	0.3%
Interest expense	531	0.1%	1,158	0.3%
Telephone	410	0.1%	42	0.0%
Sales promotion	341	0.1%	70	0.0%
Bank charges	270	0.1%	90	0.0%
Postage	207	0.1%	293	0.1%
Travel	153	0.0%	-	0.0%
Contributions	132	0.0%	-	0.0%
Equipment maintenance	-	0.0%	1,478	0.3%
Miscellaneous	-	0.0%	169	0.0%
TOTAL OPERATING EXPENSES	\$ <u>413,750</u>	<u>100.6%</u>	\$ <u>440,182</u>	<u>102.4%</u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE II - COMPUTATION OF NET CAPITAL
SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Total Assets	\$ 305,334	\$ 272,726
Less: Total Liabilities	<u>92,848</u>	<u>61,398</u>
Net Worth	<u>212,486</u>	<u>211,328</u>
Less: Non-allowable assets		
Prepaid expenses	6,859	6,409
Fixed assets	1,865	21,146
Commissions receivable - unallowable	<u>17,069</u>	<u>24,663</u>
Total	<u>25,793</u>	<u>52,218</u>
Tentative Net Capital	186,693	159,110
Less adjustments:		
(Discount on Money Market Account)	(16)	(14)
(Discount on Securities)	(25,573)	(24,732)
(Undue Concentration)	<u>(19,120)</u>	<u>(19,274)</u>
Net Capital	<u>\$ 141,984</u>	<u>\$ 115,090</u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE III - ASSETS DEEMED ALLOWABLE
SEPTEMBER 30, 2012

Cash - Checking	\$	74,011
Cash - Money Market		796
Less 2% Disallowance		<u>16</u>
Total		780
Marketable Securities		170,487
Less 15% Disallowance		<u>25,573</u>
Total		144,914
Accounts Receivable - Allowable		
American Funds		19,456
Nationwide		9,199
Lincoln Financial		3,527
Putnam		563
Fidelity		466
SunAmerica		365
Oppenheimer		314
Alliance		223
Pacific Life		87
Pioneer		<u>47</u>
Total		<u>34,247</u>
Assets Deemed Allowable	\$	<u><u>253,952</u></u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE IV - RECONCILIATION BETWEEN YEAR END FOCUS REPORT
AND AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

	<u>FOCUS</u> <u>REPORT</u>	<u>ADJUSTMENTS</u>	<u>AUDITED</u> <u>STATEMENTS</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 74,011	\$ 796	\$ 74,807
Commissions receivable - allowable	34,247	-	34,247
Commissions receivable - unallowable	17,069	-	17,069
Prepaid expenses	6,860	(1)	6,859
	<u>132,187</u>	<u>795</u>	<u>132,982</u>
Total Current Assets			
<u>FIXED ASSETS</u>			
Equipment	13,937	1	13,938
Accumulated depreciation	(12,073)	-	(12,073)
	<u>1,864</u>	<u>1</u>	<u>1,865</u>
Net Book Value			
<u>OTHER ASSETS</u>			
Investment	171,283	(796)	170,487
	<u>171,283</u>	<u>(796)</u>	<u>170,487</u>
Total Other Assets			
Total Assets	<u>\$ 305,334</u>	<u>\$ -</u>	<u>\$ 305,334</u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE IV - RECONCILIATION BETWEEN YEAR END FOCUS REPORT
AND AUDITED FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2012

	<u>FOCUS REPORT</u>	<u>ADJUSTMENTS</u>	<u>AUDITED STATEMENTS</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>			
Current Liabilities:			
Accounts payable	\$ 1,262	\$ -	\$ 1,262
Accrued taxes and expenses	32,115	-	32,115
Current portion of note payable	-	-	-
Deferred taxes	13,500	693	14,193
Due to Cooper Financial Services, Inc.	34,000	11,278	45,278
	<u>80,877</u>	<u>11,971</u>	<u>92,848</u>
NOTE PAYABLE , net of current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>80,877</u>	<u>11,971</u>	<u>92,848</u>
<u>STOCKHOLDER'S EQUITY</u>			
Common stock	10,000	-	10,000
Retained earnings	214,457	(36,412)	178,045
Accumulated other comprehensive income - Net unrealized gain on investments (net of tax)	-	24,441	24,441
	<u>224,457</u>	<u>(11,971)</u>	<u>212,486</u>
Total Stockholder's Equity	<u>224,457</u>	<u>(11,971)</u>	<u>212,486</u>
Total Liabilities and Stockholder's Equity	<u>\$ 305,334</u>	<u>\$ -</u>	<u>\$ 305,334</u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE IV - RECONCILIATION BETWEEN YEAR END FOCUS REPORT
AND AUDITED FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2012

	<u>FOCUS REPORT</u>	<u>ADJUSTMENTS</u>	<u>AUDITED STATEMENTS</u>
<u>REVENUE</u>			
Commissions and fees	\$ 347,801	\$ -	\$ 347,801
Administrative fees	66,978	(5,418)	61,560
Interest income	1,389	701	2,090
Total Revenue	<u>416,168</u>	<u>(4,717)</u>	<u>411,451</u>
<u>OPERATING EXPENSES</u>			
Officer's salary	198,235	9,925	208,160
Office expense	36,447	-	36,447
Retirement plan	33,443	-	33,443
Professional fees	22,872	-	22,872
Commissions	22,856	-	22,856
Insurance	17,056	-	17,056
Rent	16,800	-	16,800
Payroll taxes	7,593	2,200	9,793
Auto expense	9,499	-	9,499
Group insurance	9,365	-	9,365
Dues and subscriptions	5,838	-	5,838
Licenses	5,791	-	5,791
Computer expenses	5,747	-	5,747
Depreciation	5,074	-	5,074
Meals and entertainment	1,981	-	1,981
Other taxes	984	-	984
Interest expense	531	-	531
Telephone	410	-	410
Sales promotion	341	-	341
Bank charges	270	-	270
Postage	207	-	207
Travel	153	-	153
Contributions	138	(6)	132
Total Operating Expenses	<u>\$ 401,631</u>	<u>\$ 12,119</u>	<u>\$ 413,750</u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE IV - RECONCILIATION BETWEEN YEAR END FOCUS REPORT
AND AUDITED FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2012

	<u>FOCUS REPORT</u>	<u>ADJUSTMENTS</u>	<u>AUDITED STATEMENTS</u>
Total Operating Expenses - brought forward	\$ 401,631	\$ 12,119	\$ 413,750
(LOSS) INCOME FROM OPERATIONS	14,537	(16,836)	(2,299)
MISCELLANEOUS INCOME	<u>-</u>	<u>308</u>	<u>308</u>
(LOSS) INCOME BEFORE TAX	14,537	(16,528)	(1,991)
INCOME TAX (BENEFIT) EXPENSE	<u>1,326</u>	<u>(1,149)</u>	<u>177</u>
NET INCOME	13,211	(15,379)	(2,168)
RETAINED EARNINGS - beginning	<u>201,246</u>	<u>(21,033)</u>	<u>180,213</u>
RETAINED EARNINGS - ending	<u>\$ 214,457</u>	<u>\$ (36,412)</u>	<u>\$ 178,045</u>

See report of independent registered public accounting firm

CFS SECURITIES, INC.
SCHEDULE IV - RECONCILIATION BETWEEN YEAR END FOCUS REPORT
AND AUDITED FINANCIAL STATEMENTS
(Continued)
SEPTEMBER 30, 2012

	<u>FOCUS REPORT</u>	<u>ADJUSTMENTS</u>	<u>AUDITED STATEMENTS</u>
Total Assets	\$ 305,334	\$ -	\$ 305,334
Less: Total Liabilities	<u>80,877</u>	<u>11,971</u>	<u>92,848</u>
Net Worth	224,457	(11,971)	212,486
Less: Non-allowable assets			
Prepaid expenses	6,860	(1)	6,859
Fixed assets	1,864	1	1,865
Commissions receivable - unallowable	<u>17,069</u>	<u>-</u>	<u>17,069</u>
Total	<u>25,793</u>	<u>-</u>	<u>25,793</u>
Tentative Net Capital	198,664	(11,971)	186,693
Less Adjustments:			
(Discout on money market account)	14	2	16
(Discout on securities)	25,573	-	25,573
(Undue concentration)	<u>19,120</u>	<u>-</u>	<u>19,120</u>
Net Capital	<u>\$ 153,957</u>	<u>\$ (11,969)</u>	<u>\$ 141,984</u>

Explanation of Differences:

All differences between the final audited financial statements and the quarterly focus report are reflected on the attached schedules in the supplemental section of this report. The adjustments were made for reclassifying several items on the statement of income and retained earnings, to adjust unrealized gain on investments and deferred income taxes.

See report of independent registered public accounting firm



PUE, CHICK, LEIBOWITZ & BLEZARD LLC

Certified Public Accountants

Steven R. Leibowitz, CPA, CFFA
Michael R. Blezard, CPA/ABV, CVA

Ricky A. Frimpong, CPA
In Soo Soh, CPA

John C.A. Chick, CPA - Consultant

Robert J. Pue, CPA (1920 – 2008)
Louis P. Semel, CPA (1930 – 1998)

Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3

To the Board of Directors of
CFS Securities, Inc.

In planning and performing our audits of the financial statements and supplementary information of **CFS Securities, Inc.** (the Company) as of and for the years ended September 30, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
- 2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2012 and 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Vernon, Connecticut
November 20, 2012